

**REPORT OF THE AUDIT OF THE  
TRIMBLE COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE TRIMBLE COUNTY FISCAL COURT**

**June 30, 2007**

The Auditor of Public Accounts has completed the audit of the Trimble County Fiscal Court for fiscal year ended June 30, 2007. We have issued unqualified opinions on the governmental activities, each major fund, and aggregate remaining fund information of Trimble County, Kentucky.

#### **Financial Condition:**

The Fiscal Court had net assets of \$6,893,678 as of June 30, 2007. The Fiscal Court had unrestricted net assets of \$3,550,479 in its governmental activities as of June 30, 2007, with total net assets of \$6,893,678. The Fiscal Court had total debt principal as of June 30, 2007 of \$887,509 with \$176,039 due within the next year.

#### **Deposits:**

The Fiscal Court's deposits as of June 30, 2007, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$80,219

The Fiscal Court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the Fiscal Court's deposits in accordance with the security agreement.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Randy K. Stevens, Trimble County Judge/Executive  
Members of the Trimble County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trimble County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Trimble County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Trimble County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Trimble County, Kentucky, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Randy K. Stevens, Trimble County Judge/Executive  
Members of the Trimble County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Trimble County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2008, on our consideration of Trimble County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

February 15, 2008



## TRIMBLE COUNTY OFFICIALS

For The Year Ended June 30, 2007

### **Fiscal Court Members:**

Randy K. Stevens	County Judge/Executive
Kirby Melvin	Magistrate
Stephen L. Stark	Magistrate
Nolan Hamilton, Jr.	Magistrate
David Scott	Magistrate

### **Other Elected Officials:**

Perry Arnold	County Attorney
Bobby Temple	Jailer
Jerry L. Powell	County Clerk
Theresa Edwards	Circuit Court Clerk
Tim Coons	Sheriff
Jill Mahoney	Property Valuation Administrator
Frederica Congleton	Coroner

### **Appointed Personnel:**

Regina Rand	County Treasurer
Ashley Thornsberry	Finance Officer
Kathi McGuire	Administrative Assistant

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**TRIMBLE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**



**TRIMBLE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 3,550,479
Total Current Assets	<u>3,550,479</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land	423,900
Construction In Progress	114,938
Buildings	458,745
Building Improvements	785,609
Land Improvements	288,419
Vehicles and Equipment	605,791
Infrastructure Assets - Net of Depreciation	<u>1,553,306</u>
Total Noncurrent Assets	<u>4,230,708</u>
Total Assets	<u>7,781,187</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Financing Obligations	<u>176,039</u>
Total Current Liabilities	<u>176,039</u>
Noncurrent Liabilities:	
Financing Obligations	<u>711,470</u>
Total Noncurrent Liabilities	<u>711,470</u>
Total Liabilities	<u>887,509</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	2,893,199
Restricted:	
Capital Projects	450,000
Unrestricted	<u>3,550,479</u>
Total Net Assets	<u><u>\$ 6,893,678</u></u>

The accompanying notes are an integral part of the financial statements.

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**TRIMBLE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**

**TRIMBLE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues Received</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Governmental Activities:				
General Government	\$ 1,245,858	\$ 1,046,684	\$ 184,431	\$
Protection to Persons and Property	709,144	195,599	61,085	61,178
General Health and Sanitation	124,857			
Social Services	14,901			
Recreation and Culture	93,113		4,813	63,065
Roads	506,270	7,500	248,595	704,229
Interest on Financing Obligations	21,192			
Total Governmental Activities	<u>\$ 2,715,335</u>	<u>\$ 1,249,783</u>	<u>\$ 498,924</u>	<u>\$ 828,472</u>

**General Revenues:**

Taxes:

    Real Property Taxes

    Personal Property Taxes

    Motor Vehicle Taxes

    Other Taxes

Excess Fees

Miscellaneous Revenues

Interest

    Total General Revenues

    Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**TRIMBLE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

**Net (Expenses) Revenues  
and Changes  
in Net Assets**

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**Governmental  
Activities**

---

\$	(14,743)
	(391,282)
	(124,857)
	(14,901)
	(25,235)
	454,054
	(21,192)
	<hr/>
\$	(138,156)
	<hr/>

	177,177
	10,237
	42,845
	114,823
	2,253
	164,394
	125,352
	<hr/>
	637,081
	<hr/>
	498,925
	6,394,753
	<hr/>
\$	6,893,678
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The accompanying notes are an integral part of the financial statements.

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**TRIMBLE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**



**TRIMBLE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>General Fund</b>	<b>Road Fund</b>	<b>License Fee Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 983,132	\$ 454,149	\$ 2,075,568	\$ 37,630	\$ 3,550,479
Total Assets	<u>\$ 983,132</u>	<u>\$ 454,149</u>	<u>\$ 2,075,568</u>	<u>\$ 37,630</u>	<u>\$ 3,550,479</u>
<b>FUND BALANCES</b>					
Reserved:					
Capital Projects	\$ 450,000	\$	\$	\$	\$ 450,000
Unreserved:					
General Fund	533,132				533,132
Special Revenue Funds		454,149	2,075,568	37,630	2,567,347
Total Fund Balances	<u>\$ 983,132</u>	<u>\$ 454,149</u>	<u>\$ 2,075,568</u>	<u>\$ 37,630</u>	<u>\$ 3,550,479</u>

**Reconciliation to Statement of Net Assets:**

Total Fund Balances	\$ 3,550,479
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	5,781,068
Accumulated Depreciation	(1,550,360)
Long-term debt Is Not Due and Payable in the Current Period and, Therefore, Is Not	
Reported in the Funds	
Financing Obligations	(887,509)
Net Assets Of Governmental Activities	<u>\$ 6,893,678</u>

The accompanying notes are an integral part of the financial statements.

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**TRIMBLE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**TRIMBLE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>General Fund</b>	<b>Road Fund</b>	<b>License Fee Fund</b>	<b>Non- Major Funds</b>
<b>REVENUES</b>				
Taxes	\$ 345,082	\$	\$	\$
Excess Fees	2,253			
Licenses and Permits	1,020,684			
Intergovernmental	254,175	952,824		136,170
Charges for Services	161,328	7,500		
Miscellaneous	184,900	228	21,000	2,764
Interest	9,236	14,586	101,237	293
Total Revenues	<u>1,977,658</u>	<u>975,138</u>	<u>122,237</u>	<u>139,227</u>
<b>EXPENDITURES</b>				
General Government	431,226			
Protection to Persons and Property	428,139			228,486
General Health and Sanitation	116,509			8,000
Social Services				9,728
Recreation and Culture	25,790			173,614
Roads		1,062,839		
Debt Service	129,113	27,826		
Administration	739,750	35,412		9,292
Total Expenditures	<u>1,870,527</u>	<u>1,126,077</u>		<u>429,120</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>107,131</u>	<u>(150,939)</u>	<u>122,237</u>	<u>(289,893)</u>
<b>Other Financing Sources (Uses)</b>				
Financing Obligation Proceeds	450,000	109,150		
Transfers From Other Funds	46,069			238,500
Transfers To Other Funds	(170,500)		(96,069)	(18,000)
Total Other Financing Sources (Uses)	<u>325,569</u>	<u>109,150</u>	<u>(96,069)</u>	<u>220,500</u>
Net Change in Fund Balances	432,700	(41,789)	26,168	(69,393)
Fund Balances - Beginning	550,432	495,938	2,049,400	107,023
Fund Balances - Ending	<u>\$ 983,132</u>	<u>\$ 454,149</u>	<u>\$ 2,075,568</u>	<u>\$ 37,630</u>

The accompanying notes are an integral part of the financial statements.



**TRIMBLE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>Total Governmental Funds</b>	
<hr/>	
\$	345,082
	2,253
	1,020,684
	1,343,169
	168,828
	208,892
	125,352
	<hr/>
	3,214,260
	<hr/>
	431,226
	656,625
	124,509
	9,728
	199,404
	1,062,839
	156,939
	784,454
	<hr/>
	3,425,724
	<hr/>
	(211,464)
	<hr/>
	559,150
	284,569
	(284,569)
	<hr/>
	559,150
	<hr/>
	347,686
	3,202,793
	<hr/>
\$	3,550,479
	<hr/>

The accompanying notes are an integral part of the financial statements.

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**TRIMBLE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**



**TRIMBLE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ 347,686
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Amounts Reported for Governmental Activities in the Statement of Activities are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Is Allocated over their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	874,582
Depreciation Expense	(299,940)
Financing Obligations Proceeds	(559,150)
Lease Principal Payments are Expensed in the Governmental Funds as a Use of Current Financial Resources.	
Financing Obligation Principal Payments	135,747

Change in Net Assets of Governmental Activities	\$ 498,925
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**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Trimble County include the funds, agencies, boards, and entities for which the Fiscal Court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. Trimble County has no discretely presented component units.

**Blended Component Unit**

The following legally separate organization provides its services exclusively to the primary government, and the Fiscal Court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Trimble County Parks Board**

The Parks Board was created for managing and maintaining the park. Fiscal Court has the authority to appoint a voting majority of the Parks Board's board of directors. Financial information for the Parks Board is blended within Trimble County's financial statements and is presented as the Trimble County Parks Board Fund.

**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Trimble County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Trimble County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Trimble County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. The county does not report any business-type activities, and therefore, no such information is presented.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.



**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Major individual governmental funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

License Fee Fund - The purpose of this fund is to account for funds received from waste hauling permits and license fees. The funds may be used for any purpose.

The primary government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, and Trimble County Parks Board Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, License Fee Fund, and Trimble County Parks Board Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Trimble County Parks Board Fund to be budgeted because the fiscal court does not approve the expenditures from these funds.

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). However as of August 31, 2006 and June 30, 2007, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the government's deposits in accordance with the security agreement as follows:

- Uncollateralized and Uninsured \$114,318 and \$80,219.

**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 423,900	\$	\$	\$ 423,900
Construction In Progress		114,938		114,938
Total Capital Assets Not Being Depreciated	423,900	114,938		538,838
Capital Assets, Being Depreciated:				
Buildings	611,938			611,938
Building Improvements	952,862	13,300		966,162
Land Improvements	331,864	7,400		339,264
Vehicles and Equipment	1,227,228	184,679		1,411,907
Infrastructure	1,358,694	554,265		1,912,959
Total Capital Assets Being Depreciated	4,482,586	759,644		5,242,230
Less Accumulated Depreciation For:				
Buildings	(141,034)	(12,159)		(153,193)
Building Improvements	(142,391)	(38,162)		(180,553)
Land Improvements	(42,937)	(7,908)		(50,845)
Vehicles and Equipment	(711,651)	(94,465)		(806,116)
Infrastructure	(212,407)	(147,246)		(359,653)
Total Accumulated Depreciation	(1,250,420)	(299,940)		(1,550,360)
Total Capital Assets, Being Depreciated, Net	3,232,166	459,704		3,691,870
Governmental Activities Capital Assets, Net	\$ 3,656,066	\$ 574,642	\$ 0	\$ 4,230,708

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 47,378
Protection to Persons and Property	52,519
General Health and Sanitation	348
Social Services	5,173
Recreation and Culture	12,147
Roads, Including Depreciation of General Infrastructure Assets	182,375
Total Depreciation Expense - Governmental Activities	<u>\$ 299,940</u>

**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 4. Financing Obligations**

**A. Bedford Fire Truck**

On December 31, 1998, the fiscal court entered into a financing agreement with the Kentucky Area Development District Financing Trust to borrow \$148,000 at 4.96 percent for the purchase of a fire truck for the Bedford Fire Department. The county refinanced the agreement on November 12, 2003 in the amount of \$97,000, with variable interest rates ranging from 1% to 3.8%. The retirement date for the lease remained May 20, 2009. The county will make semi-annual payments of varying amounts in accordance with the contract. The financing agreement was paid off in January 2007.

**B. Courthouse Renovation**

On May 22, 2002, the fiscal court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust to borrow \$650,000 at a variable interest rate for the renovation of the Trimble County Courthouse. The county will make monthly payments of varying amounts for 10 years in accordance with the contract. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2008	\$ 64,359	\$ 12,633
2009	67,595	10,009
2010	70,994	7,297
2011	74,565	4,496
2012	78,316	1,603
Totals	<u>\$ 355,829</u>	<u>\$ 36,038</u>

**C. Wheel Loader**

On May 1, 2007, the fiscal court entered into a financing agreement with John Deere Credit to borrow \$109,150 at an interest rate of 5.25% for the purchase of a wheel loader. The county will make 4 quarterly payments of \$27,826 amounts in accordance with the contract. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2008	\$ 81,680	\$ 1,798
Totals	<u>\$ 81,680</u>	<u>\$ 1,798</u>

**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 4. Financing Obligations (Continued)**

**D. Courthouse Expansion**

On May 31, 2007, the fiscal court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust to borrow \$450,000 at a variable interest rate for the expansion of the Trimble County Courthouse. The county will make monthly payments of varying amounts for 11 years in accordance with the contract. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2008	\$ 30,000	\$ 23,416
2009	35,000	19,965
2010	35,000	18,192
2011	35,000	16,419
2012	40,000	14,449
2013-2017	220,000	40,022
2018	55,000	263
Totals	<u>\$ 450,000</u>	<u>\$ 132,726</u>

**E. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financing Obligations	\$ 464,106	\$ 559,150	\$ 135,747	\$ 887,509	\$ 176,039
Governmental Activities					
Long-term Liabilities	<u>\$ 464,106</u>	<u>\$ 559,150</u>	<u>\$ 135,747</u>	<u>\$ 887,509</u>	<u>\$ 176,039</u>

**Note 5. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent. The county's contribution for FY 2005 was \$82,237 FY 2006 was \$114,055, and FY 2007 was \$145,684.

**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Employee Retirement System (Continued)**

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 6. Deferred Compensation**

On February 24, 2000, the Trimble County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 7. Insurance**

For the fiscal year ended June 30, 2007, Trimble County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 8. Prior Period Adjustment**

The prior year depreciation expense was recorded incorrectly. The effect of this change on the beginning net assets of the governmental activities is a decrease of \$568.

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**TRIMBLE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**



**TRIMBLE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2007**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 376,800	\$ 376,800	\$ 345,082	\$ (31,718)
Excess Fees	27,000	27,000	2,253	(24,747)
Licenses and Permits	1,025,450	1,025,450	1,020,684	(4,766)
Intergovernmental Revenue	142,000	203,178	178,712	(24,466)
Charges for Services	150,000	150,000	161,328	11,328
Miscellaneous	167,940	167,940	184,900	16,960
Interest	6,000	6,000	9,236	3,236
Total Revenues	<u>1,895,190</u>	<u>1,956,368</u>	<u>1,902,195</u>	<u>(54,173)</u>
<b>EXPENDITURES</b>				
General Government	580,730	580,730	431,226	149,504
Protection to Persons and Property	383,835	456,216	428,139	28,077
General Health and Sanitation	123,700	125,335	116,509	8,826
Recreation and Culture	26,000	26,000	25,790	210
Debt Service	40,000	53,924	53,650	274
Administration	852,255	777,091	739,750	37,341
Total Expenditures	<u>2,006,520</u>	<u>2,019,296</u>	<u>1,795,064</u>	<u>224,232</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(111,330)</u>	<u>(62,928)</u>	<u>107,131</u>	<u>170,059</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	100,000	100,000	46,069	(53,931)
Transfers To Other Funds	<u>(188,670)</u>	<u>(188,670)</u>	<u>(170,500)</u>	<u>18,170</u>
Total Other Financing Sources (Uses)	<u>(88,670)</u>	<u>(88,670)</u>	<u>(124,431)</u>	<u>(35,761)</u>
Net Changes in Fund Balance	(200,000)	(151,598)	(17,300)	134,298
Fund Balance - Beginning	<u>200,000</u>	<u>200,000</u>	<u>550,432</u>	<u>350,432</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 48,402</u>	<u>\$ 533,132</u>	<u>\$ 484,730</u>

**TRIMBLE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>ROAD FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 668,516	\$ 918,516	\$ 952,824	\$ 34,308
Charges for Services		7,500	7,500	
Miscellaneous	3,550	3,550	228	(3,322)
Interest	5,500	5,500	14,586	9,086
Total Revenues	<u>677,566</u>	<u>935,066</u>	<u>975,138</u>	<u>40,072</u>
<b>EXPENDITURES</b>				
Roads	752,941	1,012,354	953,689	\$ 58,665
Debt Service		27,826	27,826	
Administration	77,123	47,384	35,412	11,972
Total Expenditures	<u>830,064</u>	<u>1,087,564</u>	<u>1,016,927</u>	<u>70,637</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(152,498)</u>	<u>(152,498)</u>	<u>(41,789)</u>	<u>110,709</u>
Net Changes in Fund Balance	(152,498)	(152,498)	(41,789)	110,709
Fund Balance - Beginning	<u>152,498</u>	<u>152,498</u>	<u>495,938</u>	<u>343,440</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 454,149</u>	<u>\$ 454,149</u>

**TRIMBLE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>LICENSE FEE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and Permits	\$ 20,000	\$ 20,000	\$ 21,000	\$ 1,000
Interest	90,100	90,100	101,237	11,137
Total Revenues	110,100	110,100	122,237	12,137
<b>EXPENDITURES</b>				
Administration	10,100	10,100		10,100
Total Expenditures	10,100	10,100		10,100
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	100,000	100,000	122,237	22,237
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(100,000)	(100,000)	(96,069)	3,931
Total Other Financing Sources (Uses)	(100,000)	(100,000)	(96,069)	3,931
Net Changes in Fund Balances			26,168	26,168
Fund Balances - Beginning			2,049,400	2,049,400
Fund Balances - Ending	\$ 0	\$ 0	\$ 2,075,568	\$ 2,075,568

**TRIMBLE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2007**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance-Modified Cash Basis* differs from the *Budgetary Comparison Schedule* for the General Fund in intergovernmental revenue and debt service by \$75,463 due to payments by the Administrative Office of the Courts and the Bedford Fire Department of \$36,700 and \$38,763, respectively, directly to the trustee for debt service. The General Fund in other financing sources and (uses) and ending fund balance differ by \$450,000 due to financing obligation proceeds.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance-Modified Cash Basis* differs from the *Budgetary Comparison Schedule* for the Road Fund in roads by \$109,150 due to purchase of capital asset by financing obligation. The Road Fund in other financing sources and (uses) differs by \$109,150 due to financing obligation proceeds.

**TRIMBLE COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2007**





**TRIMBLE COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2007**

	<b>Jail Fund</b>	<b>LGEA Fund</b>	<b>Trimble Co. Parks Board Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 8,646	\$ 7,741	\$ 21,243	\$ 37,630
Total Assets	<u>\$ 8,646</u>	<u>\$ 7,741</u>	<u>\$ 21,243</u>	<u>\$ 37,630</u>
<b>FUND BALANCES</b>				
Unreserved:				
Special Revenue Fund	\$ 8,646	\$ 7,741	\$ 21,243	\$ 37,630
Total Fund Balances	<u>\$ 8,646</u>	<u>\$ 7,741</u>	<u>\$ 21,243</u>	<u>\$ 37,630</u>

The accompanying notes are an integral part of the financial statements.

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**TRIMBLE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2007**



**TRIMBLE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2007**

	<b>Jail Fund</b>	<b>LGEA Fund</b>	<b>Trimble Co. Parks Board Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>				
Intergovernmental	\$ 68,292	\$ 67,878	\$	\$ 136,170
Miscellaneous	20		2,744	2,764
Interest		293		293
Total Revenues	<u>68,312</u>	<u>68,171</u>	<u>2,744</u>	<u>139,227</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	228,486			228,486
General Health and Sanitation		8,000		8,000
Social Services		9,728		9,728
Recreation and Culture		161,065	12,549	173,614
Administration	9,292			9,292
Total Expenditures	<u>237,778</u>	<u>178,793</u>	<u>12,549</u>	<u>429,120</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(169,466)</u>	<u>(110,622)</u>	<u>(9,805)</u>	<u>(289,893)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds	170,500	50,000	18,000	238,500
Transfers To Other Funds		(18,000)		(18,000)
Total Other Financing Sources (Uses)	<u>170,500</u>	<u>32,000</u>	<u>18,000</u>	<u>220,500</u>
Net Change in Fund Balances	1,034	(78,622)	8,195	(69,393)
Fund Balances - Beginning	7,612	86,363	13,048	107,023
Fund Balances - Ending	<u>\$ 8,646</u>	<u>\$ 7,741</u>	<u>\$ 21,243</u>	<u>\$ 37,630</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**







**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Randy K. Stevens, Trimble County Judge/Executive  
Members of the Trimble County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trimble County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated February 15, 2008. Trimble County prepares its financial statements in accordance with the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Trimble County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Trimble County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Trimble County Fiscal Court's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Trimble County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

February 15, 2008

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**TRIMBLE COUNTY FISCAL COURT**


**For The Fiscal Year Ended  
June 30, 2007**

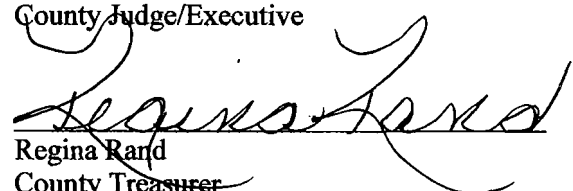


**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**TRIMBLE COUNTY FISCAL COURT**

For The Fiscal Year Ended June 30, 2007

The Trimble County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Randy K. Stevens  
County Judge/Executive

  
\_\_\_\_\_  
Regina Rand  
County Treasurer

